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Voluntary - Public

Date: 8/14/2009

GAIN Report Number: SI9001

Slovenia

Post: Vienna

Agricultural Economy and Policy Report

Report Categories:

Agricultural Situation

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Report Highlights:

Slovenia is an excellent example of a smooth transition from a non-democratic state to a full member of the European Union within the shortest period of time possible. In 2007, Slovenia introduced the Euro as the national currency. Slovenia has a small economy and a population of 2 million. Per capita income in 2008 was estimated at \$29,500 with an estimated annual GDP growth of 3%. Slovenia is a member of the WTO.

In 2008, Slovenia's global agriculture, fish, and forestry imports were greater than \$3 billion and exports totaled more than \$2 billion.

Agricultural imports from the United States totaled more than \$8 million. Major imports from the United States include cotton, wood products, and consumer-oriented food products.

General Information

1. General Political Situation and Trends

Since 1991, Slovenia has been an independent democratic state with a parliamentary government. In September 2008, the Social Democrats (SD), led by Prime Minister Borut Pahor won Slovenia's Parliamentary elections wresting power away from the centre-right coalition led by the Slovenian Democratic Party (SDS). [1] The ruling coalition consists of the Social Democrats, Zares, the Liberal Democracy of Slovenia, and the Democratic Party of Slovenian Pensioners. [2] Despite the SD's victory, animosity among the coalition partners, which include members who defected from the center-right coalition, causes friction and occasional threats to the government's stability. The ruling coalition is focused on limiting the impact of the recession by increasing public expenditures, which will likely delay needed economic structural reforms. A border dispute between Slovenia and Croatia is also a contentious political issue. [3]

Slovenia enjoys excellent relations with the United States and cooperates with it actively on a number of fronts. From 1998 to 2000, Slovenia occupied a non-permanent seat on the United Nations (UN) Security Council and in that capacity distinguished itself with a constructive, creative, and consensus-oriented activism. Slovenia has been a member of the UN since May 1992 and of the Council of Europe since May 1993. Slovenia signed an association agreement with the EU in 1996 and became a full EU member state on May 1, 2004. It adopted the Euro as its national currency in 2007. [4] Slovenia officially became a member of NATO on March 29, 2004 and is a member of all major international financial institutions--the International Monetary Fund, the World Bank Group, and the European Bank for Reconstruction and Development--as well as 40 other international organizations.

The government and most Slovenians share a common view of the desirability of a close association with the West, specifically of membership in both the EU and NATO. For all the apparent bitterness that divides left and right wings, there are few fundamental philosophical differences between them in the area of public policy. Political differences have their roots in the roles that groups and individuals played during the years of communist rule and the struggle for independence.

2. Macroeconomic Situation and Trends

Slovenia has a small economy and a population of 2 million. Per capita income in 2008 was estimated at \$29,500. Services are the largest sector of its economy followed by industry, and agriculture. Slovenia's labor force is estimated at 920,000, with a 6.7% unemployment rate. [5]

The Gross Domestic Product (GDP) of Slovenia is estimated at \$59 billion. Annual GDP growth for 2008 was estimated to have been about 3.5%. However, analysts expect GDP to contract by up to 5.0% in 2009 due to the global financial crisis. [6] Slovenia entered recession as real GDP contracted by 8.5% during the first quarter of 2009. Consumer price inflation declined to 0.5% in May 2009, its lowest level since 1991, owing to weak demand, as well as low international oil and

other commodity prices. Economists, however, forecast Slovenia's economy to improve as markets for its exports recover from the global economic crisis. [7]

3. Agriculture in the Economy

Agriculture accounted for 2.2% of GDP and employed 2.5% of Slovenia's labor force in 2008. [8] Although the economic importance of agriculture has declined since gaining independence, it continues to play an important role in maintaining social and territorial equilibrium.

Of Slovenia's total 2.0 million hectares, more than half is covered by forests and nearly 40% is used for agriculture. Slovenia has an estimated 648,000 hectares of utilized agricultural area, of which an estimated 27,500 hectares are permanent plantations and 305,000 hectares are meadows and pastures. Much of the arable land is planted with cereals, mainly corn, and wheat. The average farm size is 6.3 hectares. In 2005 (latest available figures), 36.1% of the farms were between 2 and 5 hectares and 25.6% of the farms were between 5 and 10 hectares. Only 2.2% of Slovenia's farms were between 20 and 30 hectares, which is an increase over the past several years.

The total agricultural holdings in Slovenia are divided into 60% meadows and pastures and about 20% for the production of feed (corn, root crops, and green feed). The total value of agricultural output is €959 million, in which animal breeding contributes €511 million. Total livestock production in Slovenia is estimated at 1.1 million head of swine and 5.3 million head of poultry. The number of cattle is 640,000, of which 116,000 are cows.

Due to increased volatility of agricultural commodities, Slovenian farmers face higher risks but also increased opportunities. Farmers and politicians are aware that greater volatility of agricultural commodity markets will remain in the future. As a result, management skills will be more important than in the past. Agricultural initiatives are trying to counter the situation through increased extension and training programs.

Thus far, the financial crisis is showing some impact on the availability of credit for Slovenian farmers. The Slovenian Parliament amended the constitution to allow foreign ownership of property in July 1997 in order to forge closer ties with the European Union. Currently, Slovenia allows foreign investors to own property as long as they register with the government.

4. Domestic Agricultural Policy Overview

Prior to joining the EU, Slovenian farmers were able to utilize funds from the EU's Special Accession Program for Agriculture and Rural Development (SAPARD). The program was designed to improve the competitiveness of the agriculture and food processing industries for EU accession countries. The total for the SAPARD program was just under €38 million, of which EU funds totaled 66.6% and the remaining funds financed through the Slovenian budget.

Between 2004 and 2006, the EU started the Rural Development Program (RDP) which was intended to integrate different sectors of the agriculture industry; improve quality of living in rural areas; introduce European Union standards and environmental measures on farms; and restructure agriculture, forestry and fisheries programs. In three years, approximately €353 million was spent

on the RDP program in Slovenia. These measures played an important role in developing the economy, improving social standards, and protecting the environment.

In 2006, the Slovenian Ministry of Agriculture, Forestry and Food started to co-finance insurance premiums for agriculture. These insurance programs cover weather-related damages and crop protection. In animal breeding, the insurance policies cover animal illness. The aim of the programs is to reduce agricultural production risk and improve economic conditions on farms.

In 2007, Slovenia implemented the EU's Common Agricultural Policy and opted for single payment schemes for some agricultural products. The amount of regional payments for fields, gardens, perennial crops on fields, greenhouses, hop fields, olive groves and intensive orchards as well as set-aside areas total €332/ha. The payments for grassland and extensive orchards total €133/ha. Production-coupled payments remain in the form of premiums for livestock production.

Slovenia's farm policy will continue to favor small-scale family farming and sustainable agriculture. Slovenia supports EU policies that limit subsidies for large farms, tie activities with environmental standards, and promote lifestyle concepts such as "organic", "range fed," and "alpine" farming. NGOs influence agricultural activities, particularly as it relates to the environment. They are also responsible for the strong anti-biotech sentiment in the country. All political parties promote environmental friendly and sustainable agriculture.

Support for organic agriculture in Slovenia is strong. In 2007, 6% of agricultural land was managed organically. The Slovenian Government is aiming to devote 15% of its agricultural land to organics by 2015. In addition, the Slovenian Organic Action Plan provides funding for increased marketing support to the dairy sector. Furthermore, the Slovenian Government also provides funding for environmental friendly agricultural methods and reduced input management.

Rural areas are important in Slovenia due to their function as residential and tourist areas. Slovenian politicians support rural development programs within the EU. Between 2007 and 2013, a total of €900 million will be provided by the EU for such programs. These EU funds are to be matched by national funds totaling more than €1.2 billion.

Since Slovenia's small scale dairy production in less developed areas cannot compete on a liberalized market, Slovenia has always been against the elimination of the EU-dairy quota. An important issue for Slovenian agricultural policy is the implementation of measures cushioning the situation for Slovenian dairy farmers.

Biotech

All major trade issues regarding biotechnology are handled at the EU level. Presently, agricultural biotech production is only taking place in laboratories.

The Slovenian Government opposes genetically engineered products and has voted against or abstained from voting on biotech measures in the European Council. The Minister of Agriculture believes that due to the absence of the corn borer in the country, there is no need for biotech corn. Presently, there have been no biotech field trials in Slovenia. All field trials need a permit

from the Ministry of Environment and Spatial Planning.

Biofuels

The Slovenian Government supports and promotes the production of agricultural crops for biofuels. It also backs EU goals for the production and the use of biofuels. The EU Biofuels Directive was transposed into national law in November 2007. Since October 2008, the Slovenian law requires a substitution of 3% biofuels for transportation on the basis of energy content for all petrol and diesel fuels. The Government expressed its intention to reach 7.5% biofuels/renewable fuels use by 2015.

5. Agricultural Trade Environment

Slovenia has been a member of WTO since 1995 and follows the European Union's positions concerning WTO issues. In 2008, Slovenia's total imports were valued at \$37 billion, while total exports amounted to \$34 billion.

U.S. exports to Slovenia in 2008 accounted for \$631 million, which is 64% higher than 2007 and represents 1.7 percent of total Slovenian imports. Major import products from the United States by value were mineral fuels, aircraft, and machinery. Slovenia's exports to the United States were \$414 million in 2008. Key export commodities to the United States were machinery, furniture, steel, and pharmaceutical products.

In 2008, Slovenia's global agriculture, fish, and forestry imports were greater than \$3 billion and exports totaled more than \$2 billion. The majority of all imported agricultural products came from other EU countries such as Austria, Italy, Germany, and Hungary. Slovenia's agricultural exports exceeded \$2 billion with almost two-thirds of all exported goods being delivered to other EU Member States. Slovenia's major exporting partners were Italy, Croatia, Austria, Bosnia/Herzegovina, and Hungary.

Agricultural imports from the United States totaled more than \$8 million. This does not include significant and steadily increasing transshipments from other EU countries or about \$35 million in soybean imports from the United States that were transshipped to other countries. Major trade items from the United States included cotton, wood products, and consumer-oriented food products.

Slovenia follows EU prohibitions on the import of U.S. beef, poultry, and unapproved biotech products.

6. SPS and Regulatory Systems

The majority of food safety regulations are harmonized with the EU, thus, the ultimate overview over the proper implementation of the rules and directives is with the European Commission.

The Slovenian Ministry of Agriculture, Forestry and Food, headed by Mr. Milan Pogačnik, is responsible for agriculture, forestry, fisheries products. Food safety issues are a shared

responsibility between the Agricultural Ministry and the Ministry of Health, who is headed by Mr. Borut Milkavčič.

Slovenian food regulations are valid for products produced in Slovenia and for imported food products. However, Slovenia is obliged to allow entry of products permitted in other countries of the European Economic Area. Imports from third countries must comply with EU legislation and if no EU law exists, with national legislation.

7. Food Security

Slovenia has a developed market economy and an extensive mandatory social security system. Thus, food availability in Slovenia is a marginal issue. Nevertheless, higher food prices in 2008 led to a broad discussion in the media and among politicians who expressed their concerns for lower-income families. These groups receive food donations from charitable organizations (such as the Red Cross) which established a safety net system.

Slovenia's 2007 budget for development aid (including food aid) totaled nearly €19 million. It became a member of the FAO in November 1993. Its involvement in successful development activities includes research on women farmers, development of rural regions, utilization of grasslands, and rehabilitation and replanting of olive tree plantations.

8. USDA Stakeholders

Direct market promotion activities by U.S. cooperators or U.S. industry members are rare. This is due to small size of the market and that most U.S. imports occur through transshipments from either Italy or Austria. The last cooperator activity in Slovenia occurred 4 years ago when the California Wine Institute held a wine tasting event in conjunction with a wine tasting tour held in Croatia, Austria, and Slovenia.

[1] Slovenia has a bicameral parliament, but only the Državni zbor (National Assembly, the lower house) has legislative authority. Its 90 members are chosen in direct elections by proportional representation, with two seats reserved for the ethnic Hungarian and Italian minorities. The president proposes a prime minister (PM) to the National Assembly after consultation with parliamentary groups. Final power of appointment of the PM and the government rests with the National Assembly. Most government powers reside with parliament. The president is elected directly by universal suffrage over two rounds of voting and is restricted to a maximum of two consecutive five-year terms.

[2] The governing center-left coalition advocate a socially [liberal](#) and economically [social-democrat](#) agenda

[3] Economist

[4] http://www.mkgp.gov.si/fileadmin/mkgp.gov.si/pageloads/saSSo/Publikacije/Acrobat_Document.pdf

[5] <https://www.cia.gov/library/publications/the-world-factbook/geos/si.html>

[6] Economist: <http://www.economist.com/countries/slovenia/profile.cfm?folder=Profile-Forecast>

[7] Economist: <http://www.economist.com/countries/slovenia/profile.cfm?folder=Profile-Forecast>

[8] <https://www.cia.gov/library/publications/the-world-factbook/geos/si.html>